106TH CONGRESS

244 FORD HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
202-226-4066
FAX 202-225-0505

Congress of the United States

Joint Economic Committee
Minority

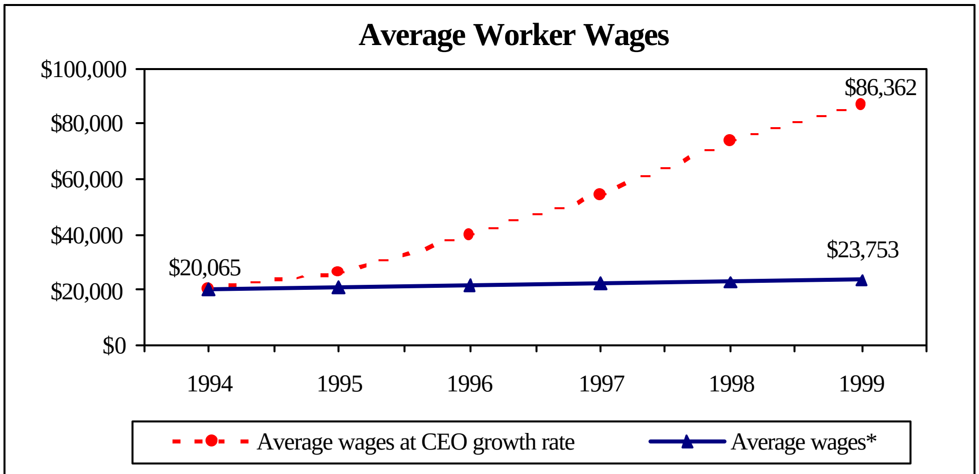
FORTNEY PETE STARK
RANKING MEMBER

May 10, 2000

CEO Compensation Grows 18 Times Faster than Average Wages for All Workers

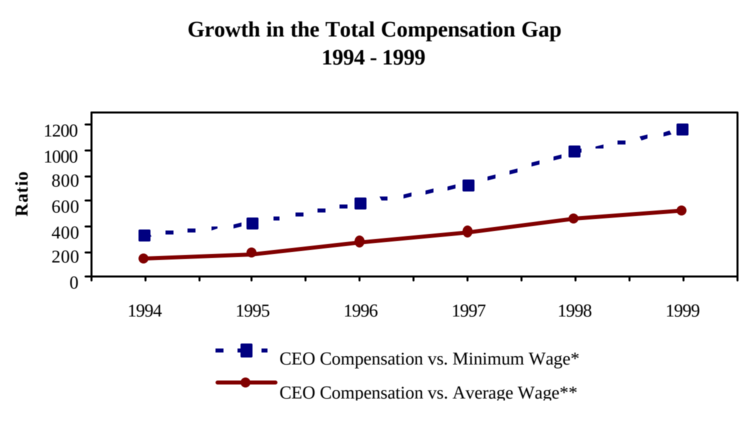
Dear Colleague:

Average CEO compensation has tripled since 1994. Much of this increase was due to the growth in the value of stock-related compensation. **Had average wages for all workers grown as fast as CEO compensation since 1994, workers would have earned $86,362 in 1999, rather than the $23,753 they were paid.** The minimum wage would have grown to more than $18.00 an hour, rather than the current rate of $5.15, if it, too, had kept pace with CEO compensation growth.



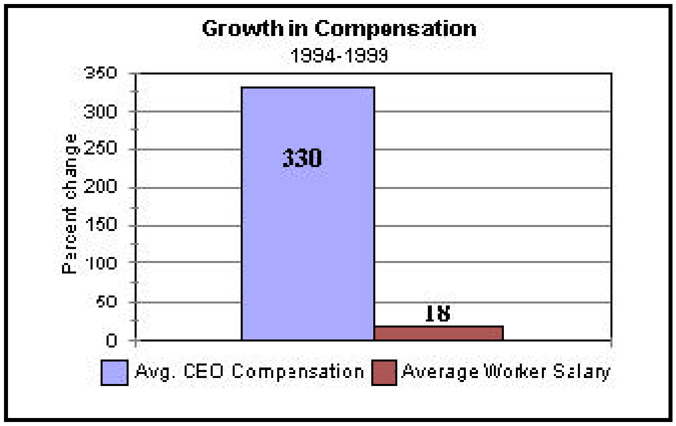
Source: CRS, Business Week, BLS; *Average weekly earnings of production or non-supervisory employees on private non-farm payrolls multiplied by 52 weeks.

These CEO compensation data are taken from a recent survey of 362 of the largest US companies, conducted for *Business Week's* 50th Annual Executive Pay Scoreboard. The survey found that average CEO compensation reached a stunning $12.4 million in 1999 -- 522 times more than the average wage for all US workers. The gap between CEO compensation and the minimum wage was more than twice as large.



*Assumes 2080 hrs./yr.; **Non-supervisory
Source: CRS, Business Week, BLS

Average CEO compensation grew by 330 percent between 1994 and 1999, 18 times faster than the increase in the average wage for all workers. We often hear that companies cannot "afford" to pay their workers more if they want to remain competitive in the global marketplace. But certainly a three-fold increase in executive compensation must also raise labor costs! The average remuneration for a CEO in the United States is 34 times what the average remuneration is for a manufacturing worker; a higher ratio than exists in all of the other major industrialized countries in the world, including the UK (24), Canada (20), Germany (13), and Japan (11).



A large part of the recent growth in executive compensation was due to increases in the value of stock options and payment through stock. Excluding these stock-related compensation schemes, CEO salaries still grew by 64 percent over the last 5 years. The average CEO salary was almost 100 times greater than that of the average worker. Had salaries for workers grown as fast as those for CEOs, average workers would have earned $33,000 in 1999, 40 percent more than they were paid.

CEOs deserve to be rewarded well for their hard work, loyalty, and commitment. It is also understandable that CEOs will be paid more than average workers. But average workers also deserve to be rewarded for their hard work, loyalty and commitment. The United States is enjoying the greatest prosperity in decades. Now is the time to share the benefits with all those contributing to this prosperity.

Sincerely,

Pete Stark, MC
Ranking Member